

A
Pension Plan Survey
of
Nonprofit Organizations
in Minnesota

CURA RESOURCE COLLECTION

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Prepared by

Pension Rights Project
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MINNESOTA NONPROFIT PENSION SURVEY

During May/June of 1996, a survey of Minnesota nonprofit organizations asked for information about types and levels of pension benefits, and factors affecting decisions for providing (or not providing) pension/retirement benefits. Questionnaires were sent to a stratified sample of 748 nonprofit organizations representative of some 2100 members of the Minnesota Council of Nonprofit Organizations.

Our purpose was to identify nonprofit concerns and perceived obstacles to implementing or improving pensions/retirement plans. The intent was to use such information to improve the design, accessibility and usefulness of pension vehicles available to nonprofits in Minnesota.

The focus on nonprofit pensions derives from a women's pension initiative that evolved as part of the Pension Rights Project, a pension claims/counseling demonstration project conducted by the MN Senior Federation during 1994-95. Discussions and workshops about women's pension issues noted that many nonprofits were not only small and lacked adequate pensions but were also disproportionately staffed by women.

The survey was designed and implemented by the MN Senior Federation's Pension Rights Project in cooperation with the Minnesota Council of Nonprofit Organizations (MCN) which provided lists and basic financial data. The University of Minnesota's Center for Survey Research collaborated in designing and processing the survey. An intern provided by the University's Center for Urban and Regional Affairs (CURA) helped implement the survey and tabulate the results.

Three Categories

The survey addressed three categories of nonprofits based on the percent-of-total-salaries that employers contributed to pension benefit programs (based on 1993-94 financial data). Categories were: I, zero or no contribution (285 responses); II, employer contributions of 0.1 - 3.9 percent (137 responses); and III, 4 percent or more of total salary expense (71 responses). Key comparisons included types of pensions, age and gender demographics, pension satisfaction levels, information needs, and perceived barriers to establishing or improving pensions. Subcategory comparisons were also made according to size of organization, based on the number of full time employees. Key data from survey responses are shown in accompanying tables 1-8.

Just under 500 responses(493) were recieved for a solid response ratio of 66 percent -- seeming to affirm a strong level of interest and concern among surveyed organizations.

Pension Types

Some kind of pension was provided by 62 percent of responding organizations. However, since categories II and III were based on some level of pension contribution, essentially all of these categories reported pensions.* In contrast, among category I responses (with no employer contribution), only 39 percent reported pensions (61 percent provided no pension).

Among respondents with pensions, roughly 20 percent had defined benefit pensions. (Table 1) Among the variety of defined contribution plans reported, about two-thirds reported 403b pensions (annuity based), and 13 percent indicated SEP pensions. About 19 percent of respondents said they provided "other" pension types, including 401a's 401k's, profit sharing, money purchase and cash balance plans. Several plans were coordinated with regional or national affiliated organizations.

Where plans were provided, 93 percent of pensions were available to all regular employees. Employees made contributions to their pensions with 67 percent of the plans, overall; but contributed to only 54 percent of plans in Category-III where employers contribute 4 percent or more of salaries. Responses indicated a wide range of pension benefits provided, reflecting differences in the structure and function of nonprofits themselves.

Satisfaction Levels, Information Needs

Respondents with pensions were asked to rate them in terms of satisfaction levels. (Table 2) "Very satisfied" accounted for 57 percent of responses; 33 percent were "somewhat satisfied"; 9 percent were "somewhat dissatisfied" with less than one percent (2 responses) "very dissatisfied". Such responses could also be represented as 43 percent that were not entirely satisfied with their current pension/retirement plans (somewhat satisfied plus dissatisfied). Respondents were typically administrative staff, not rank and file employees.

Roughly 90 percent of organizations had provided information to employees about pensions, but for almost half of organizations (46%), employees had asked for additional information/assistance about pension benefits.

The most frequently cited need in providing pensions was clearly start-up money (cited by 92%). (Table 3) But the need for better understanding of pension plans and options rated a close second, roughly even with the need for board-level support, both at 85-86 percent response levels.

* Categories were based on 1993-94 financial data; responses are for 1996.

Similarly, when asked what the main obstacles were to providing pension benefits, budget/funding limitations were clearly perceived as the main barrier to pension implementation or improvement (85% of responses). (Table 4) And, while administrative time/effort, low board interest and lack of information ranked roughly even as next most important barriers, these were at a much lower level of concern -- cited by 29-31 percent. Three-fourths of category-I organizations reported that pension plans had been discussed at the management/board level; just under half have held such discussions with employees.

Positive Staff Effect

The survey also asked whether adequate pensions/retirement plans were perceived as helping to enhance staff quality, performance and stability. (Table 5) A strong 75 percent thought pension/retirement plans had a positive or strong-positive affect on the staff and organization -- consistent across all categories.

In this context, the average length of employment for regular employees (Table 6) increased from 5.3 years in category I, to 5.9 years in category II, and to 6.5 years among employees of category III -- a 20 percent increase related to stronger employer contributions.

Staff Demographics -- Most Employees Women

Age distributions of employees were basically similar for all categories. (Table 7) Category-I organizations had slightly more employees under age thirty than in other age cohorts (10-yr); for categories II and III, slightly more employees were age 30-39 than in other age cohorts. But these differences were marginal.

The survey asked for gender data: for the 493 responding nonprofit organizations, full time employees averaged 9 men and 27 women, or one male out of four total -- with a slightly higher ratio of male employees in category-III. (Table 7) Among part time employees the ratio of female employees was even higher -- one male to 4-5 female, or one male out of 5-6 total employees.

Part time employees were an important staff component of most nonprofit organizations, but in all categories the number of regular part-time averaged less than half of total employees.

Size Comparisons

The majority of nonprofits are relatively small. (Table 8) Of 420 responding organizations that provided size information, 289 or 69 percent employ 25 or fewer full time employees; an additional 20 percent (85) employ 26-100 full time employees; 8 percent (37) employ 101-300, and the eight largest organizations

(less than 2%) employ from 337 to 1248 full timers. The eight largest nonprofit organizations were all in category-II -- employers contributing to pensions up to 4 percent of salaries.

Not surprisingly, small nonprofit organizations were less likely to have a pension plan. Only 50 percent of nonprofits with 25 employees or less sponsored plans, compared to 90 percent or more with plans among larger nonprofits (more than 25 employees). Fewer small nonprofits had defined benefit plans -- 12 percent as compared to 25-28 percent among largers. And, slightly more of plans in the under-25 group relied on employee contributions (that is, fewer plans had employer contributions).

Satisfaction levels were roughly the same for all size groups; but among smaller nonprofits, fewer employees had asked for information/assistance about pension matters.

Among smaller organizations the ratio of male employees was slightly higher -- 31 percent of full time employees compared to 25-26 percent male for larger nonprofits. The same relationship held true for part time employees, but at even lower ratios -- 25 percent male for smaller and 12-14 percent among larger nonprofit employers.

Average years on the job increased from 5.4 (for 25 or less employees), to 6.3 years (26-100), and to 6.8 years for nonprofits with 101-300 employees. Age distribution (by decades) was rather evenly distributed within all size groups.

403b/SEP

A few comparisons were also possible between organizations with 403b type (most) plans and SEP plans. Levels of satisfaction were high with both plans (70-80%), but dissatisfaction was noted somewhat more often among nonprofits with SEP plans. A high percentage of both plan groups offered information about investment and withdrawal choices. Among SEP plans, somewhat fewer employees had asked for additional information/assistance (39% as compared to 50% overall).

Pensions vs Length of Employment

Overall, the average term of employment was slightly higher among nonprofits that provided pension plans (5.7 years) than among those that did not (5.57 years). By categories, however, average length of employment increased from 5 years in category-I (no employer contribution) to 5.9 years in category II, and to 6.7 years in category III (4 percent or more employer contribution). By inference, length of service would seem to correlate with employer contributions to pension benefits.

Comments and Feedback

Respondents were asked to elaborate or comment relative to their responses, and they did. In response to the question, "What would you change?" -- almost half of the respondents cited the need for employer contributions, or increased contributions.

Several saw a need to simplify plans, "less complicated", so that employees could manage their choices better. Several cited the need for better employee information about their options. A few referred to administrative complexity, and lack of information or cooperation from their carrier -- "better information from our carrier".

Others saw the need for plan improvement, including expansion to more investment options or more than one pension/retirement plan.

"Portability" and shorter vesting period were cited.

Personal follow-up with selected respondents included both small group discussion and telephone follow-up. In addition to keen interest in "what other nonprofits are doing," several would welcome technical help in designing plan improvements, also ways to minimize administrative start up costs. Almost all agreed on the need for better employee information not only about personal pension management and investment choices but also about distribution options and tax planning.

Differing participation issues were noted among single parent employees, where income may limit the capacity to make adequate pension contributions, as compared to "second income earners" and older employees with perhaps more optional income.

Comparisons with For-Profit Organizations

Both the Department of Labor's Bureau of Labor Statistics and the Small Business Administration developed information about pension participation among smaller, for-profit companies in 1992.

BLS study's main conclusions: Among private, nonfarm firms with fewer than 100 full time employees, 47 percent of employees had retirement pension plans. Defined benefit plans covered one-fifth of full time employees; defined contribution plans covered one-third of full time employees, with slightly under one-fourth covered under 401k plans. Slightly less than half of plans (46%) were integrated with Social Security benefits.

Post retirement, fewer than 1 in 10 pension plans adjusted benefits for inflation between years 1987-91; of those who did adjust, about half adjusted by formula and roughly half were discretionary/ad hoc.

Most of defined benefit plans with portability options were union related multi-employer plans. The most common defined contribution matching provision was 1/2 of employee contributions up to maximum of 3 percent (for up to 6% employee contributions).

Small Business Administration study: Only 25 percent of employees in small firms were covered by pension plans. Roughly 30 percent of the private, nonfarm work force is employed in firms with under 25 employees. Small firms account for 60 percent of employees without pension plans.

Reasons cited for less coverage among small employers:

- Varied employee status, unstable earnings
- Preference factors, by employee or employer
- Administrative/start-up costs
- Regulatory costs and impediments

Survey Conclusions

The survey appears to confirm and document several perceptions about nonprofit organizations -- namely, that many nonprofits are small, often provide inadequate or no pension benefits, and are disproportionately staffed by women.

Adequate pension/retirement plans are seen as important and needed. Budget limitations and the complexity of pension plans and options pose difficult decisions for administrative staff and boards of directors. The following needs are apparent:

- o Technical help in evaluating and designing pension/retirement benefits.
- o Better, simpler and more objective information about pensions and personal pension/retirement management.
- o More convenient, accessible pension vehicles
- o Money and other assistance for start-up

Possible Recommendations, Next Steps:

- A - Provide technical assistance for pension planning
- B - Develop more accessible pension plan structures and vehicles (in cooperation with providers)
- C - Provide educational information and training assistance for nonprofit employees and administrative staff.

Table 1. Respondents with Pension/Retirement Plan (percent)

	All Respondents	Category I	Category II	Category III
Percentage of Organizations sponsoring plan	61.7	38.9	92.7	93.0
Type of Plan				
Defined Benefit	18.3	13.5	21.6	20.0
403b	66.1	69.4	64.8	63.1
SEP	13.0	13.5	8.0	21.5
Other	18.6	14.4	20.0	23.1
Plans Where Employees Contribute	66.9	71.7	69.0	54.5

Table 2. Level of Satisfaction - Respondents with Plans (percent)

Plan Satisfaction Level	All Respondents	Category I	Category II	Category III
Very Satisfied	57.3	54.8	57.5	61.3
Somewhat Satisfied	32.8	32.7	31.5	35.5
Somewhat Dissatisfied	9.2	11.5	10.2	3.5
Very Dissatisfied	0.7	1.0	0.8	na

Table 3. Key Needs for Establishing Pension Plan (respondents without pension/retirement plan)

Needs	All Respondents	Category I	Categories II & III
Management Staff Support	75.4	75.5	na
Board Support	86.8	87.1	
Employee Support	72.5	72.2	
Start-up Money	92.5	92.4	
Understanding Plans	85.8	86.0	
Other Factors	59.6	60.0	

Table 4. Key Obstacles to Implementing Pension Plans (percent)

Factors considered Obstacles	All Respondents	Category I	Category II	Category III
Low Employee Interest	21.3	23.2	27.8	na
Administrative Time	31.3	35.4	30.1	16.7
Budget Limits	85.7	91.1	81.2	69.6
Low Board Interest	28.8	40.0	12.9	na
Not Enough Information	29.8	38.4	21.5	na
Other Factors	32.5	37.0	36.8	na

Table 5. Pension Effect on Staff Performance and Quality
- Respondents with Plans (percent)

Level of Effect	All Respondents	Category I	Category II	Category III
Strong Positive	33.6	31.8	34.1	39.7
Slight Positive	40.8	36.0	44.2	52.9
No Effect	22.5	28.0	19.4	7.4
Slight Negative	2.8	3.8	2.3	na
Strong Negative	0.2	0.4	na	na

Table 6. Length of Employment, by Pension Plan Availability
(Average Years)

Length of Employment	All Respondents	Category I	Category II	Category III
Organizations With Plans	5.71	5.0	5.94	6.71
Without Plan	5.57	5.63	5.0	4.80

Table 7. Gender, Age Distributions (Average Number of Employees)

Number of Employees	All Respondents	Category I	Category II	Category III
Full-time				
Male	9.2	3.0	20.7	13.0
Female	27.3	9.4	63.1	33.5
Part-time				
Male	3.5	1.6	7.5	3.9
Female	20.1	6.7	50.9	17.2
Full-time, by Age				
Under 30	14.5	5.9	32.9	17.2
30 - 39	16.5	5.3	41.8	17.3
40 - 49	15.4	5.0	39.4	14.8
50 - 59	7.0	2.2	17.2	8.3
60 - 69	2.7	0.9	6.3	3.4
over 69	0.4	0.2	1.0	0.2

Table 8. Responses by Size Categories, by Number of Full Time Employees (percent)

Survey Questions	0 - 25	26 - 100	101 - 300	300+
Organizations with Plan	49.4	89.4	97.4	100
Type of Plan				
Defined Benefit Plan	12	26	29	25
403b	65	69	66	62
SEP	21	4	0	0
Other	12	25	34	25
Provide Plan Investment Information	85	92	91	100
Employees Asked for More Plan Information	35	58	67	75

Note: Categories for tables 1-7 based on employer contributions as percent of total salary expense, 1993-94 budget data:

Category I - no employer pension contribution
Category II - 0.1 to 3.9 percent contribution
Category III - 4 percent or more contribution